

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

An Act To Cut Taxes on Maine Residents by over \$140,000,000

Be it enacted by the People of the State of Maine as follows:

PART A

Sec. A-1. 36 MRSA §5111, as amended by PL 1999, c. 731, Pt. T, §§1 to 7, is repealed and the following enacted in its place:

§ 5111. Imposition and rate of tax

A tax is imposed for each taxable year beginning on or after January 1, 2008, on the Maine taxable income of every resident individual of this State at the rate of 6%.

Sec. A-2. 36 MRSA §5111-A, as repealed and replaced by PL 1987, c. 819, §3, is repealed.

Sec. A-3. 36 MRSA §5112, as enacted by P&SL 1969, c. 154, Pt. F, §1, is repealed.

Sec. A-4. 36 MRSA §5113, as repealed and replaced by PL 1983, c. 571, §19, is repealed.

Sec. A-5. 36 MRSA §5121, as amended by PL 2003, c. 390, §26, is further amended to read:

§ 5121. Maine taxable income

The Maine taxable income of a resident individual is equal to the individual's federal adjusted gross income as defined by the Code with the modifications ~~and less the deductions and personal exemptions~~ provided in this chapter.

Sec. A-6. 36 MRSA §5122, sub-§1, ¶N, as amended by PL 2007, c. 240, Pt. CCC, §2 and affected by §4, is further amended to read:

N. With respect to property placed in service during the taxable year, an amount equal to the net increase in depreciation or expensing attributable to:

(1) For taxable years beginning on or after January 1, 2002 but prior to January 1, 2006, a 30% bonus depreciation deduction claimed by the taxpayer pursuant to Section 101 of the federal Job Creation and Worker Assistance Act of 2002, Public Law 107-147 with respect to property placed in service during the taxable year;

(2) For taxable years beginning on or after January 1, 2002 but prior to January 1, 2006, a 50% bonus depreciation deduction claimed by the taxpayer pursuant to Section 201 of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27 with respect to property placed in service during the taxable year; and

(3) For taxable years beginning on or after January 1, 2003 but prior to January 1, 2008, the increase in aggregate cost under Section 179 of the Code arising from amendments to the Code ~~applicable to tax years beginning on or after January 1, 2003~~ pursuant to Section 202 of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27 or pursuant to Section 201 of the federal American Jobs Creation Act of 2004, Public Law 108-357;

Sec. A-7. 36 MRSA §5122, sub-§2, ¶L, as amended by PL 2003, c. 705, §11 and affected by §14, is further amended to read:

L. For income tax years beginning on or after January 1, 2000 and before January 1, 2004, an amount equal to the total premiums spent for qualified long-term care insurance contracts as defined in the Code, Section 7702B(b), as long as the amount subtracted is reduced by the long-term care premiums claimed as an itemized deduction pursuant to section 5125. For income tax years beginning on or after January 1, 2004 and before January 1, 2008, an amount equal to the total premiums spent for qualified long-term care insurance contracts as defined in the Code, Section 7702B(b), as long as the amount subtracted is reduced by any amount claimed as a deduction for federal income tax purposes in accordance with the Code, Section 162(l) and by the long-term care premiums claimed as an itemized deduction pursuant to section 5125. For income tax years beginning on or after January 1, 2008, an amount equal to the total premiums spent for qualified long-term care insurance contracts as defined in the Code, Section 7702B(b), as long as the amount subtracted is reduced by any amount claimed as a deduction for federal income tax purposes in accordance with the Code, Section 162(l);

Sec. A-8. 36 MRSA §5122, sub-§2, ¶T, as amended by PL 2005, c. 519, Pt. LLL, §1 and c. 622, §26, is further amended to read:

T. For income tax years beginning on or after January 1, 2002 and before January 1, 2004, an amount equal to the total premiums spent for long-term care insurance policies certified under Title 24-A, section 5075-A as long as the amount subtracted is reduced by the long-term care premiums claimed as an itemized deduction pursuant to section 5125.

For income tax years beginning on or after January 1, 2004 but before January 1, 2008, an amount equal to the total premiums spent for qualified long-term care insurance contracts certified under Title 24-A, section 5075-A, as long as the amount subtracted is reduced by any amount claimed as a deduction for federal income tax purposes in accordance with the Code, Section 162(l) and by the long-term care premiums claimed as an itemized deduction pursuant to section 5125. For income tax years beginning on or after January 1, 2008, an amount equal to the total premiums spent for qualified long-term care insurance contracts certified under Title 24-A, section 5075-A, as long as the amount subtracted is reduced by any amount claimed as a deduction for federal income tax purposes in accordance with the Code, Section 162(l);

Sec. A-9. 36 MRSA §5124-A, as amended by PL 2005, c. 12, Pt. P, §5, is repealed.

Sec. A-10. 36 MRSA §5125, as amended by PL 2005, c. 12, Pt. P, §6 and affected by §10, is repealed.

Sec. A-11. 36 MRSA §5126, as amended by PL 2001, c. 583, §16, is repealed.

Sec. A-12. 36 MRSA §5160, as amended by PL 2003, c. 390, §35, is further amended to read:

§ 5160. Imposition of tax

The tax is imposed, at the ~~rates~~rate provided by section 5111 ~~for single individuals~~, upon the Maine taxable income of estates and trusts. The tax must be paid by the fiduciary.

Sec. A-13. 36 MRSA §5192, sub-§2, as amended by PL 1985, c. 783, §32, is repealed.

Sec. A-14. 36 MRSA §5200, sub-§1, as amended by PL 2005, c. 618, §6 and affected by §22, is repealed and the following enacted in its place:

1. Imposition and rate of tax. A tax is imposed for each taxable year at the rate of 8.93% on the income of each taxable corporation and on each group of corporations that derives income from a unitary business carried on by 2 or more members of an affiliated group.

Sec. A-15. 36 MRSA §5200-A, sub-§1, ¶N, as amended by PL 2007, c. 240, Pt. CCC, §3 and affected by §4, is further amended to read:

N. With respect to property placed in service during the taxable year, an amount equal to the net increase in depreciation or expensing attributable to:

(1) For taxable years beginning on or after January 1, 2002 but prior to January 1, 2006, a 30% bonus depreciation deduction claimed by the taxpayer pursuant to Section 101 of the federal Job Creation and Worker Assistance Act of 2002, Public Law 107-147 with respect to property placed in service during the taxable year;

(2) For taxable years beginning on or after January 1, 2002 but prior to January 1, 2006, a 50% bonus depreciation deduction claimed by the taxpayer pursuant to Section 201 of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27 with respect to property placed in service during the taxable year; and

(3) For taxable years beginning on or after January 1, 2003 but prior to January 1, 2008, the increase in aggregate cost under Section 179 of the Code ~~arising from amendments to the Code applicable to tax years beginning on or after January 1, 2003~~pursuant to Section 202 of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27 or pursuant to Section 201 of the federal American Jobs Creation Act of 2004, Public Law 108-357;

Sec. A-16. 36 MRSA §5203-B, as amended by PL 2003, c. 673, Pt. JJ, §2 and affected by §6, is repealed.

Sec. A-17. 36 MRSA §5203-C, as amended by PL 2005, c. 618, §§7 and 8 and affected by §22, is further amended to read:

§ 5203-C. State minimum tax

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. ~~"Adjusted alternative minimum tax," for individuals, estates and trusts, means the excess, if any, of the alternative minimum tax over the amount that would have been the alternative minimum tax had only the adjustments and items of preference specified in the Code, Section 53(d)(1)(B)(ii) been taken into account in determining alternative minimum tax. For corporations subject to the tax imposed by this section, "adjusted alternative minimum tax" means alternative minimum tax.~~

B. "Alternative minimum tax" means any excess of tentative minimum tax over the regular income tax.

C. ~~"Alternative minimum taxable income" means tentative alternative minimum taxable income less the applicable exemption amount, except that:~~

~~(1) For taxable corporations with income from business activity that is taxable both within and without this State, "alternative minimum taxable income" means tentative alternative minimum taxable income less the applicable exemption amount, the result of which is multiplied by the fraction described in section 5211, subsection 8; or~~

~~(2) For nonresident estates and trusts with income derived from Maine sources, "alternative minimum taxable income" means tentative alternative minimum taxable income less the applicable exemption amount, the result of which is multiplied by a fraction, the numerator of which is the taxpayer's tentative alternative minimum taxable income from Maine sources and the denominator of which is the taxpayer's total tentative alternative minimum taxable income from all sources.~~

C-1. "Alternative minimum taxable income" for taxable corporations with income from business activity that is taxable both within and without this State means tentative alternative minimum taxable income less the applicable exemption amount, the result of which is multiplied by the fraction described in section 5211, subsection 8.

D. "Exemption amount" means the applicable exemption as provided by the Code, Section 55(d) as of December 31, 2002, except that tentative alternative minimum taxable income as determined under paragraph G must be substituted in the computation of the phase-out under the Code, Section 55(d)(3).

E. "Federal alternative minimum taxable income" means alternative minimum taxable income determined in accordance with the Code, ~~Sections~~Section 55(b)(2) and 59(e).

F. ~~"Regular income tax" means:~~

~~(1) For resident individuals, estates and trusts, the amount derived by multiplying the applicable tax rate or rates by taxable income under section 5121 or 5163;~~

~~(2) For nonresident individuals, estates and trusts, the amount derived by multiplying the applicable tax rate or rates by taxable income under section 5121 or 5175, the result of which is adjusted for nonresident individuals in accordance with section 5111, subsection 4; or~~

~~(3) For taxable corporations, the amount derived by multiplying the applicable tax rate or rates against Maine net income under section 5102, subsection 8.~~

F-1. "Regular income tax" means the amount derived by multiplying the applicable tax rate or rates against Maine net income under section 5102, subsection 8.

G. "Tentative alternative minimum taxable income" means federal alternative minimum taxable income:

(1) Reduced by income that states are prohibited under federal law from subjecting to income tax to the extent included in federal alternative minimum taxable income;

(2) Reduced by income, loss or deductions by which the State decreases federal adjusted gross income in the case of individuals or federal taxable income in the case of corporations, estates and trusts under section 5122, section 5125, subsection 3 or section 5164, 5176 or 5200-A or as otherwise indicated by law to the extent included in federal alternative minimum taxable income; and

(3) Increased by income, loss or deductions by which the State increases federal adjusted gross income in the case of individuals or federal taxable income in the case of corporations, estates and trusts under section 5122, section 5125, subsection 3 or section 5164, 5176 or 5200-A or as otherwise indicated by law to the extent not included in federal alternative minimum taxable income.

H. "Tentative minimum tax" means:

~~(1) Except as provided in subparagraph (2), in the case of a taxpayer other than a taxable corporation, the sum of:~~

~~(a) An amount equal to 7% of so much of the alternative minimum taxable income as does not exceed \$175,000; plus~~

~~(b) An amount equal to 7.6% percent of so much of the alternative minimum taxable income as exceeds \$175,000.~~

For a nonresident individual, the tentative minimum tax must be adjusted in accordance with section 5111, subsection 4.

(2) In the case of a married individual filing a separate return, the sum of:

(a) An amount equal to 7% of so much of the alternative minimum taxable income as does not exceed \$87,500; plus

(b) An amount equal to 7.6% percent of so much of the alternative minimum taxable income as exceeds \$87,500.

For a nonresident individual, the tentative minimum tax must be adjusted in accordance with section 5111, subsection 4.

(3) In the case of a taxable corporation, the tentative minimum tax for the taxable year is 5.4% of the alternative minimum taxable income.

H-1. "Tentative minimum tax" for the taxable year is 5.4% of the alternative minimum taxable income.

2. Tax imposed. In addition to all other taxes contained in this Part, a tax in an amount equal to the alternative minimum tax is imposed for each taxable year on the following taxpayers:

A. Resident individuals, trusts and estates;

B. Nonresident individuals, trusts and estates with Maine-source income; and

C. Taxable corporations required to file an income tax return under this Part, excluding financial institutions subject to the tax imposed by chapter 819 and persons not subject to the federal alternative minimum tax under the Code, Section 55(e).

2-A. Tax imposed. In addition to all other taxes contained in this Part, a tax in an amount equal to the alternative minimum tax is imposed for each taxable year on taxable corporations required to file an income tax return under this Part, excluding financial institutions subject to the tax imposed by chapter 819 and persons not subject to the federal alternative minimum tax under the Code, Section 55(e).

3. Credit for tax paid to other taxing jurisdiction. A resident individual, estate or trust is allowed a credit against the tax otherwise due under this section for the amount of alternative minimum tax imposed on that individual, estate or trust for the taxable year by another state of the United States, a political subdivision of any such state, the District of Columbia or any political subdivision of a foreign country that is analogous to a state of the United States with respect to income derived from sources in that taxing jurisdiction also subject to tax under this section. The credit for any of the specified taxing jurisdictions may not exceed the proportion of the tax otherwise due under this section

~~that the amount of the taxpayer's tentative alternative minimum taxable income derived from sources in that taxing jurisdiction bears to the taxpayer's entire tentative alternative minimum taxable income. When a credit is claimed for alternative minimum taxes paid to both a state and a political subdivision of that state, the total credit allowable for those taxes in the aggregate may not exceed the proportion of the tax otherwise due under this section that the amount of the taxpayer's tentative alternative minimum taxable income derived from sources in the other state bears to the taxpayer's entire tentative alternative minimum taxable income.~~

4. Minimum tax credit. A minimum tax credit is allowed as follows.

A. A minimum tax credit is allowed against the liability arising under this Part for any taxable year other than withholding tax liability. The minimum tax credit equals the excess, if any, of the adjusted alternative minimum tax, reduced by the credit for tax paid to other jurisdictions determined under subsection 3 and the Pine Tree Development Zone tax credit provided by section 5219-W, that was imposed for all prior taxable years beginning after 2003 over the amount allowable as a credit under this subsection for such prior taxable years, plus unused minimum tax credits from years beginning after 1990.

B. The credit allowable for a taxable year under this subsection is limited to the amount, if any, by which the regular income tax after application of all other credits arising under this Part exceeds the tentative minimum tax.

Sec. A-18. 36 MRSA §5204, as amended by PL 1987, c. 772, §38, is repealed.

Sec. A-19. 36 MRSA §5204-A, as amended by PL 1993, c. 395, §20, is repealed.

Sec. A-20. 36 MRSA §5216-C, sub-§1, as enacted by PL 1999, c. 475, §6 and affected by §7, is amended to read:

1. Credit allowed. A taxpayer who contributes to a family development account reserve fund as defined in Title 10, section 1075 is allowed a credit against the tax imposed by this Part equal to the lower of:

A. Twenty-five thousand dollars; ~~or~~ and

B. Fifty percent of the amount contributed by the taxpayer.

Only one credit may be claimed on each annual income tax return regardless of filing status. The credit allowed under this section may not reduce the tax to less than 0 and must be applied after allowance for all other eligible credits. ~~A taxpayer who claims a credit under this section may not claim an itemized charitable deduction under section 5125 for the amount of the contribution that qualified for the credit.~~

Sec. A-21. 36 MRSA §5217-A, as amended by PL 2003, c. 673, Pt. JJ, §4 and affected by §6, is further amended to read:

§ 5217-A. Income tax paid to other taxing jurisdiction

A resident individual is allowed a credit against the tax otherwise due under this Part, ~~excluding the tax imposed by section 5203-C~~, for the amount of income tax imposed on that individual for the taxable year by another state of the United States, a political subdivision of any such state, the District of Columbia or any political subdivision of a foreign country that is analogous to a state of the United States with respect to income subject to tax under this Part that is derived from sources in that taxing jurisdiction. In determining whether income is derived from sources in another jurisdiction, the assessor may not employ the law of the other jurisdiction but shall instead assume that a statute equivalent to section 5142 applies in that jurisdiction. The credit, for any of the specified taxing jurisdictions, may not exceed the proportion of the tax otherwise due under this Part, ~~excluding the tax imposed by section 5203-C~~, that the amount of the taxpayer's Maine adjusted gross income derived from sources in that taxing jurisdiction bears to the taxpayer's entire Maine adjusted gross income; except that, when a credit is claimed for taxes paid to both a state and a political subdivision of a state, the total credit allowable for those taxes does not exceed the proportion of the tax otherwise due under this Part, ~~excluding the tax imposed by section 5203-C~~, that the amount of the taxpayer's Maine adjusted gross income derived from sources in the other state bears to the taxpayer's entire Maine adjusted gross income.

Sec. A-22. 36 MRSA §5218-A is enacted to read:

§ 5218-A. Household credit

1. Credit allowed. A resident individual is allowed a credit, referred to in this section as "the household credit," against the tax imposed by this Part. Unless the taxpayer elects to calculate the household credit under section 5218-B, the household credit is equal to the amount calculated in this section. An individual filing a return under section 5224-A is not eligible for a credit under this section.

2. Amount of base credit. The base credit is:

A. For single individuals and married persons filing separate returns, \$750;

B. For unmarried individuals or legally separated individuals who qualify as heads of households, \$1,100; and

C. For individuals filing married joint returns or surviving spouses permitted to file a joint return, \$1,450.

3. Additional credit. The base household credit is increased by \$125 for each person for whom the individual is entitled to claim an exemption as a dependent under the Code.

4. Phaseout of credit. The household credit calculated under subsections 2 and 3 is reduced by \$2 for every \$100 that the individual's taxable income exceeds:

A. For single individuals and married persons filing separate returns, \$30,000;

B. For unmarried individuals or legally separated individuals who qualify as heads of households, \$45,000; and

C. For individuals filing married joint returns or surviving spouses permitted to file a joint return, \$67,500.

5. Credit refundable. The household credit allowed under this section is refundable up to \$140 for each return filed by an individual who is not claimed as a dependent by another individual on a return under the Code.

6. Adjustment for inflation. The household credit amounts under subsections 2 and 3 and the credit phaseout thresholds under subsection 4 must be adjusted annually for inflation as provided in chapter 841.

7. Purpose. The household credit is intended to provide relief to low-income and middle-income persons from the burden attributable to the impact of local property taxes on primary residences and state sales and use tax resulting from the costs of maintaining a household in this State.

Sec. A-23. 36 MRSA §5218-B is enacted to read:

§ 5218-B. Alternate calculation of household credit

1. General. A resident individual who has claimed itemized deductions from federal adjusted gross income in determining the individual's federal taxable income for the taxable year may elect to calculate the household credit as provided in this section instead of under section 5218-A. An individual filing a return under section 5224-A is not eligible for a credit under this section. The credit calculated under this section is referred to in this section as "the alternate household credit."

2. Base. The alternate household credit is calculated by modifying the individual's total federal itemized deductions by:

A. Reducing the total by any amount attributable to income taxes or sales and use taxes imposed by this State or any other taxing jurisdiction;

B. Increasing the total by any amount of interest or expense incurred in the production of income taxable under this Part but exempt from federal income tax that was not deducted in determining the individual's federal taxable income;

C. Reducing the total by any amount of deduction attributable to income taxable to financial institutions under chapter 819;

D. Reducing the total by any amount attributable to interest or expenses incurred in the production of income exempt from tax under this Part; and

E. Reducing the total by any amount attributable to a contribution that qualified for and was actually used as a credit under section 5216-C.

3. Maximum alternate credit. An individual's alternate household credit may not exceed the lower of:

- A. Ten percent of the individual's federal itemized deductions modified under subsection 2; and
- B. The following applicable amount:

(1) For individuals filing as single or for married individuals filing separately, \$1,300;

(2) For individuals filing as heads of households, \$2,000; or

(3) For married individuals filing jointly, \$3,000.

4. Phaseout; refundability. An alternate household credit calculated under this section is subject to the phaseout and refundability provisions of section 5218-A, subsections 4 to 6. The maximum alternate credit amounts under subsection 3, paragraph B must be adjusted annually for inflation as provided in chapter 841.

Sec. A-24. 36 MRSA §5219-H, sub-§2, as repealed and replaced by PL 2003, c. 673, Pt. F, §1 and affected by §2, is amended to read:

2. Meaning of tax liability. Whenever a credit provided for in chapter 822 is limited by reference to tax liability, "tax liability" means the tax liability for all taxes under this Part, except the minimum tax imposed by section 5203-C and the taxes imposed by chapter 827.

Sec. A-25. 36 MRSA §5219-N, as amended by PL 2003, c. 673, Pt. JJ, §5 and affected by §6, is repealed.

Sec. A-26. 36 MRSA §5224-A, as amended by PL 1989, c. 596, Pt. J, §5, is further amended to read:

§ 5224-A. Tax return of part-year resident

If an individual changes that individual's status as a resident individual or nonresident individual during the taxable year, the individual shall file a nonresident return pursuant to section 5220, subsection 2. That individual's tax ~~shall~~must be computed, pursuant to section 5111, ~~subsection 4,~~ as if that individual were a nonresident individual, except that the numerator of the apportionment ratio ~~shall be~~is comprised of the individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph A, for the portion of the taxable year during which that individual was a resident, plus that individual's Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph B, for the portion of the taxable year during which that individual was a nonresident. The part-year resident ~~shall~~is also be entitled to the credit provided by section 5217-A, computed as if the individual's Maine adjusted gross income for the entire year were comprised only of that portion which is attributed to the portion of the year during which that individual was a resident.

Sec. A-27. 36 MRSA §5250, sub-§2, as amended by PL 1997, c. 668, §§36 and 37, is repealed.

Sec. A-28. 36 MRSA §5250, sub-§5 is enacted to read:

5. Adjustment for household credit. The withholding amounts determined by the assessor under subsection 1 must take into account the effect of the household credit under section 5218-A.

Sec. A-29. 36 MRSA §5275, sub-§1, as enacted by P&SL 1969, c. 154, §F, is amended to read:

1. An amount less than wages. As the amount of the wages shown on ~~his~~the individual's return for any taxable year an amount less than such wages actually shown, ~~or~~.

Sec. A-30. 36 MRSA §5275, sub-§2, as amended by PL 1979, c. 378, §44, is repealed.

Sec. A-31. 36 MRSA §5401, as enacted by IB 1983, c. 2, §4, is amended to read:

§ 5401. Findings and purpose

Inflation erodes the value of ~~personal exemptions and deductions~~provisions in the Maine individual income tax structure intended to moderate the impact of state and local taxes and distorts fiscal equity among taxpayers. Inflation-induced increases in individual income tax revenues result in annual collections that exceed the amounts anticipated by legislative actions establishing rates, exemptions, deductions and other features of the Maine individual income tax. Furthermore, the income tax laws of this State, in combination with economic inflation, have caused inequitable treatment of the taxpayers because the application of inflexible, statutorily prescribed rates of tax, standard deduction and personal exemption to increasing personal incomes has resulted in increasing the taxpayer's tax liability while the ~~taxpayer's~~taxpayer's purchasing power has remained the same or, in some instances, has decreased. It is the purpose of this Act to correct this situation by requiring that certain components of the individual income tax structure be adjusted in order to compensate for the impact of inflation.

Sec. A-32. 36 MRSA §5403, as repealed and replaced by PL 1999, c. 731, Pt. T, §10 and affected by §11, is amended to read:

§ 5403. Annual adjustments for inflation

Beginning in ~~2002~~2009, and each subsequent calendar year thereafter, on or about September 15th, the State Tax Assessor shall multiply the cost-of-living adjustment for taxable years beginning in the succeeding calendar year by the dollar amounts of ~~the tax rate tables specified in section 5111, subsections 1-B, 2-B and 3-B~~household credit amounts under section 5218-A, subsections 2 and 3, the credit phaseout thresholds under section 5218-A, subsection 4 and the maximum alternate household credit amounts under section 5218-B, subsection 3, paragraph B. If the dollar amounts of each rate bracket for each household credit amount under section 5218-A, subsections 2 and 3, credit threshold amount under 5218-A, subsection 4 or maximum alternate household credit amount under section 5218-B, subsection 3, paragraph B, adjusted by application of the cost-of-living adjustment, are not multiples of \$50, any increase must be rounded to the next lowest multiple of \$50. If the cost-of-living adjustment for any taxable year is 1.000 or less, no adjustment may be made for that taxable year in the dollar bracket amounts of the tax rate tables. The assessor shall incorporate such changes into the income tax forms, instructions and withholding tables for the taxable year.

Sec. A-33. Reserve for conformity. At the end of fiscal year 2007-08, the State Controller shall reserve in a separate account the amount of \$6,400,000 from the unappropriated surplus of the General Fund to fund conformity with the United States Internal Revenue Code with regard to Section 179 business expensing. The State Controller shall transfer from the reserve for conformity to the General Fund unappropriated surplus in fiscal years 2008-09 and 2009-10 amounts certified by the State Tax Assessor as the net reduction of General Fund revenue from income tax conformity identified in this section.

Sec. A-34. Effective date; application. This Part takes effect January 1, 2008 and applies to income tax years beginning on or after January 1, 2008.

PART B

Sec. B-1. 36 MRSA §683, sub-§1, as repealed and replaced by PL 2005, c. 2, Pt. F, §1 and affected by §5, is amended to read:

1. Exemption amount. Except for assessments for special benefits, the just value of ~~\$13,000~~\$26,000 of the homestead of a permanent resident of this State who has owned a homestead in this State for the preceding 12 months is exempt from taxation. In determining the local assessed value of the exemption, the assessor shall multiply the amount of the exemption by the ratio of current just value upon which the assessment is based as furnished in the assessor's annual return pursuant to section 383. If the title to the homestead is held by the applicant jointly or in common with others, the exemption may not exceed ~~\$13,000~~\$26,000 of the just value of the homestead, but may be apportioned among the owners who reside on the property to the extent of their respective interests. A municipality responsible for administering the homestead exemption has no obligation to create separate accounts for each partial interest in a homestead owned jointly or in common.

Sec. B-2. Application. This Part applies to taxes based on the status of property on or after April 1, 2008.

Sec. B-3. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Homestead Property Tax Exemption Reimbursement 0886

Initiative: Provides funds to reimburse municipalities for 50% of the estimated property tax revenue loss that results from the increase in the homestead exemption.

GENERAL FUND	2007-08	2008-09
All Other	\$0	\$31,641,000
GENERAL FUND TOTAL	\$0	\$31,641,000

PART C

Sec. C-1. 36 MRS §6201, sub-§1, as amended by PL 2005, c. 2, Pt. E, §1 and affected by §§7 and 8, is further amended to read:

1. Benefit base. "Benefit base" means property taxes accrued or rent constituting property taxes accrued. In the case of a claimant paying both rent and property taxes for a homestead, benefit base means both property taxes accrued and rent constituting property taxes accrued. The benefit base may not exceed \$3,000 for single-member households and \$4,000 for households with 2 or more members for application periods beginning before August 1, 2009 and \$4,000 for single-member households and \$5,000 for households with 2 or more members for application periods beginning on or after August 1, 2009.

Sec. C-2. 36 MRS §6201, sub-§2, as amended by PL 2001, c. 396, §40, is repealed and the following enacted in its place:

2. Claimant. "Claimant" means an individual who:

A. Has filed a claim under this chapter;

B. Was domiciled in this State during the entire year for which relief is requested; and

C. Owned or otherwise maintained a homestead in this State during the entire year for which relief is requested and occupied that homestead for at least 6 months during that year. For the purpose of this subsection, a homestead may include a claimant's home that is rented out for no more than 31 days in the aggregate during the year for which relief is requested.

Regardless of how many names of individuals appear on the property deed, the person who meets the qualifications described in this subsection and proves sole responsibility for the payment of the property taxes on the subject property is the claimant with respect to that property. If 2 or more individuals meet the qualifications in this subsection and share the payment of rent or responsibility for the payment of property taxes, each individual may apply on the basis of rent paid or the property taxes levied on the homestead that reflect the ownership percentage of the claimant and the claimant's household. If 2 or more individuals claim the same property, the matter must be referred to the assessor, whose decision is final.

Ownership of a homestead under this chapter may be by fee, by life tenancy, by bond for deed, as mortgagee or by any other possessory interest in which the owner is personally responsible for the tax for which a refund is claimed.

Sec. C-3. 36 MRS §6201, sub-§5, as amended by PL 1995, c. 368, Pt. CCC, §7 and affected by §11, is further amended to read:

5. Homestead. "Homestead" means the dwelling owned or rented by the claimant or held in a revocable living trust for the benefit of the claimant and occupied by the claimant and the claimant's dependents as a home, and may consist of a part of a multidwelling or multipurpose building and a part of the land, ~~up to 10 acres~~, upon which it is built. "Owned" includes a vendee in possession under a land contract and of one or more joint tenants or tenants in common.

Sec. C-4. 36 MRSA §6201, sub-§7, as enacted by PL 1987, c. 516, §§3 and 6, is amended to read:

7. Household income. "Household income" means all income received by all persons of a household in a calendar year while members of the household but does not include the income of a dependent of the claimant who is a minor child or a full-time student.

Sec. C-5. 36 MRSA §6201, sub-§10, as amended by PL 1997, c. 504, §20, is further amended to read:

10. Property taxes accrued. "Property taxes accrued" means property taxes exclusive of special assessment, delinquent interest and charges for service levied on a claimant's homestead in this State as of April 1, 1972, or any tax year thereafter. If a homestead is owned by 2 or more persons or entities as joint tenants or tenants in common, and one or more persons or entities are not members of the claimant's household, "property taxes accrued" is that part of property taxes levied on the homestead that reflects the ownership percentage of the claimant and the claimant's household. If a claimant and spouse own their homestead for part of the year for which relief is requested and rent it or a different homestead for part of the same tax year, "property taxes accrued" means taxes levied on the homestead on April 1st, multiplied by the percentage of 12 months that the property was owned and occupied by the household as its homestead during the year for which relief is requested. When a household owns and occupies 2 or more different homesteads in this State in the same ~~tax~~calendar year, property taxes accrued relate only to the total of the property taxes owed for the time that each property was occupied by the household as a homestead on April 1st. To calculate the amount attributable to each property, the April 1st assessment on each homestead is multiplied by the percentage of 12 months that each property was owned and occupied by the claimant as the claimant's homestead during the year for which relief is requested. If a homestead is an integral part of a larger unit such as a farm, or a multipurpose or multidwelling building, property taxes accrued are that percentage of the total property taxes accrued that the value of the homestead is of the total value, except that property taxes accrued do not include any portion of taxes claimed as a business expense for federal income tax purposes. For purposes of this chapter, "unit" refers to the parcel of property separately assessed of which the homestead is a part.

Sec. C-6. 36 MRSA §6201-A, as amended by PL 2005, c. 618, §18, is further amended to read:

§ 6201-A. Short title

This chapter may be known and may be cited as the "~~Maine Residents Property Tax Program~~Property Tax and Rent Refund Program" and may be referred to as "the Circuitbreaker Program."

Sec. C-7. 36 MRSA §6207, sub-§1, ¶A-1, as amended by PL 2005, c. 2, Pt. E, §4 and affected by §§7 and 8, is further amended to read:

A-1. ~~Fifty percent~~For the application period beginning August 1, 2008, 50% of that portion of the benefit base that exceeds 4% but does not exceed 8%~~7%~~ of income plus 100% of that portion of the benefit base that exceeds ~~8%7%~~ of income to a maximum payment of ~~\$2,000~~.\$2,500; and

Sec. C-8. 36 MRSA §6207, sub-§1, ¶A-2 is enacted to read:

A-2. For application periods beginning on or after August 1, 2009, 50% of that portion of the benefit base that exceeds 3.5% but does not exceed 7% of income plus 100% of that portion of the benefit base that exceeds 7% of income to a maximum payment of \$2,500.

Sec. C-9. 36 MRSA §6210, 2nd ¶, as amended by PL 2005, c. 218, §59, is further amended to read:

The assessor shall include a checkoff to request an application for the ~~Maine Residents Property Tax Program~~Property Tax and Rent Refund Program on the individual income tax form. The assessor shall also provide a paperless option for filing an application for the ~~Maine Residents Property Tax Program~~Property Tax and Rent Refund Program.

Sec. C-10. 36 MRSA §6218, as enacted by PL 1989, c. 534, Pt. A, §10, is amended to read:

§ 6218. Readability; application; instructions

The application form and instructions used by applicants for assistance under the ~~Maine Residents Property Tax Program~~Property Tax and Rent Refund Program and its successor, if any, shall have a readability score, as determined by a recognized instrument for measuring adult literacy levels, equivalent to no higher than a 6th grade reading level.

Sec. C-11. 36 MRSA §6219, as amended by PL 1997, c. 526, §14, is further amended to read:

§ 6219. Outreach plan required

The Bureau of Revenue Services shall develop and implement a plan of outreach to ensure that all eligible households are made aware of assistance available under the ~~Maine Residents Property Tax Program~~Property Tax and Rent Refund Program and its successor, if any.

Sec. C-12. 36 MRSA §6220, as amended by PL 1997, c. 668, §40, is further amended to read:

§ 6220. Coordination required

The bureau shall seek the advice and cooperation of the Bureau of Elder and Adult Services; the Bureau of Family Independence; the Bureau of Child and Family Services; advocates for elderly and low-income individuals; and other interested agencies and organizations in developing the application form and instruction booklet for the ~~Maine Residents Property Tax Program~~Property Tax and Rent Refund Program and the outreach plan required by section 6219.

Sec. C-13. Maine Revised Statutes headnote amended; revision clause. In the Maine Revised Statutes, Title 36, chapter 907, in the chapter headnote, the words "Maine residents property tax program" are amended to read "property tax and rent refund program" and the Revisor of Statutes shall implement this revision when updating, publishing or republishing the statutes.

Sec. C-14. Information with refund payments. The State Tax Assessor shall prepare a plan to provide information about state tax relief efforts with refund payments under the Property Tax and Rent Refund Program beginning with the application period that begins August 1, 2008. The plan must identify options for providing information to refund recipients about the amount of property tax relief provided by the State under the program and other relief provided by the State, including the homestead exemption, state-municipal revenue sharing and state funding for local education. Options may include providing information on payment check forms and separate inclusions with refund check mailings. All options must provide information in an easily understandable format and may include graphical representations as appropriate. The State Tax Assessor shall submit the plan to the Joint Standing Committee on Taxation by February 1, 2008. The committee may submit legislation necessary to implement a plan.

Sec. C-15. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Revenue Services - Bureau of 0002

Initiative: Provides funds for marketing efforts to increase taxpayer awareness about tax relief programs.

GENERAL FUND	2007-08	2008-09
All Other	\$300,000	\$200,000
	<hr/>	
GENERAL FUND TOTAL	\$300,000	\$200,000

PART D

Sec. D-1. 36 MRSA §6251, sub-§1, as repealed and replaced by PL 1993, c. 395, §31, is amended to read:

1. Filing claim. Subject to section 6252, an individual or 2 or more individuals jointly may elect to defer the property taxes on their homestead by filing a claim for deferral with the municipal assessor after January 1st but no later than April 1st of the first year in which deferral is claimed if:

A. The individual or each individual, in the case of 2 or more individuals filing a claim jointly, is 65 years of age or older on April 1st of the year in which the claim is filed; and

B. ~~The individual or, in the case of 2 or more individuals filing a claim jointly, all the individuals together have household income, as defined in section 6201, subsection 7, of less than \$32,000 for the calendar year immediately preceding the calendar year in which the claim is filed.~~

The municipal assessor shall forward each claim filed under this subsection to the bureau within 30 days of receipt and the bureau shall determine if the property is eligible for deferral.

~~Claims from new applicants may not be filed pursuant to this chapter prior to January 1, 1994. For purposes of this section, "new applicants" means any person or persons that have not filed claims prior to April 1, 1991.~~

Sec. D-2. 36 MRSA §6251, sub-§2, as enacted by PL 1989, c. 534, Pt. C, §1, is amended to read:

2. Property tax deferral. ~~When the taxpayer elects~~If the taxpayer is determined to be eligible to defer property taxes for any year by filing a claim for deferral under subsection 1, it ~~shall have~~has the effect of:

- A. Deferring the payment of the property taxes levied on the homestead for the municipal fiscal year beginning on or after April 1st of that year;
- B. Continuing deferral of the payment by the taxpayer of any property taxes deferred under this chapter for previous years that have not become delinquent under section 6260; and
- C. Continuing the deferral of the payment by the taxpayer of any future property taxes for as long as the provisions of section 6252 are met.

Sec. D-3. 36 MRSA §6253, as enacted by PL 1989, c. 534, Pt. C, §1, is amended to read:

§ 6253. Claim forms; contents

1. Administration. ~~A taxpayer's~~taxpayer may file a claim for deferral under this chapter shall be in writing on a form supplied by the bureau and ~~shall~~must:

- A. ~~Describe~~Identify the homestead;
- B. ~~Recite facts establishing the~~Establish eligibility for the deferral under the provisions of this chapter, ~~including facts that establish that the household income as defined in section 6201, subsection 7, of the individual, or, in the case of 2 or more individuals claiming the deferral jointly, was less than \$32,000 for the calendar year immediately preceding the calendar year in which the claim is filed; and~~
- C. ~~Have attached~~Attach any ~~documentary proof~~information required by the bureau to show that the requirements of section 6252 have been met.

2. Statement verification. ~~There shall be annexed to the~~The claim must contain a statement verified by a written declaration of the applicant ~~making the claim to the effect that the statements contained in the claim are true.~~

Sec. D-4. 36 MRSA §6254, sub-§1, as repealed and replaced by PL 1989, c. 713, §4, is amended to read:

1. Lien. The lien provided in section 552 ~~must continue~~continues for purposes of protecting the State's deferred tax interest in tax deferred property. When it is determined that one of the events set out in section 6259 has occurred and that a property is no longer eligible for property tax deferral under this chapter, the State Tax Assessor shall send notice by certified mail to the owner, or the owner's heirs or devisees, listing the total amount of deferred property taxes, including accrued interest and costs of all the years and demanding payment on or before April 30th of the year following the tax year in which the circumstances causing withdrawal from the provisions of this chapter occur.

When the circumstances listed in section 6259, subsection 4 occur, the amount of deferred taxes is due and payable 5 days before the date of removal of the property from the State.

If the deferred tax liability of a property has not been satisfied by the April 30th demand date, the State Tax Assessor shall, within 30 days, record in the registry of deeds in the county where the real estate is located a tax lien certificate signed by the State Tax Assessor or bearing the assessor's facsimile signature, setting forth the total amount of deferred tax liability, a description of the real estate on which the tax was deferred and an allegation that a tax lien is claimed on the real estate to secure payment of the tax, that a demand for payment of the tax has been made in accordance with this section and that the tax remains unpaid.

At the time of the recording of the tax lien certificate in the registry of deeds, the State Tax Assessor shall send by certified mail, return receipt requested, to each record holder of a mortgage on the real estate, to the holder's last known address, a true copy of the tax lien certificate. The cost to be paid by the property owner, or the owner's heirs or devisees, is the sum of the fees for recording and discharging of the lien as established by Title 33, section 751, subsection 10, plus \$13. Upon redemption, the State Tax Assessor shall prepare and record a discharge of the tax lien mortgage. The lien described in section 552 is the basis of this tax lien mortgage procedure.

The filing of the tax lien certificate, provided for in this section, in the registry of deeds creates a mortgage on the real estate to the State and has priority over all other mortgages, liens, attachments and encumbrances of any nature and gives to the State all rights usually instant to a mortgage, except that the mortgagee does not have any right of possession of the real estate until the right of redemption expires.

Payments accepted during the redemption period may not interrupt or extend the redemption period or in any way affect the foreclosure procedures.

Sec. D-5. 36 MRSA §6255, sub-§3, as enacted by PL 1989, c. 534, Pt. C, §1, is amended to read:

3. Interest. Interest shall ~~accrue~~accrues on the actual amount of taxes advanced to the municipality for the tax-deferred property at the rate of 6% per annum. If the State Tax Assessor determines that average residential mortgage rates in the State exceeded 6% for at least 12 consecutive months and that the interest rate differential creates an incentive for taxpayers to defer taxes primarily because of the lower

interest rate provided by this chapter, the State Tax Assessor shall report this fact to the joint standing committee of the Legislature having jurisdiction over taxation matters, which may submit legislation to adjust the interest rate under this subsection.

Sec. D-6. 36 MRSA §6266, sub-§1, as enacted by PL 1989, c. 534, Pt. C, §1, is amended to read:

1. Revolving account. This section establishes in the State Treasury the Senior Property Tax Deferral Revolving Account to be used by the bureau for the purpose of making the payments to municipal tax collectors of property taxes deferred for tax years beginning on or after April 1, 1990, as required by section 6257 under this chapter.

Sec. D-7. 36 MRSA §6267, as enacted by PL 1993, c. 707, Pt. G, §10, is repealed.

Sec. D-8. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Elderly Tax Deferral Program 0650

Initiative: Provides funds for the Elderly Tax Deferral program.

GENERAL FUND	2007-08	2008-09
All Other	\$0	\$492,000
	<hr/>	
GENERAL FUND TOTAL	\$0	\$492,000

PART E

Sec. E-1. 5 MRSA §13090-K, sub-§2, as enacted by PL 2001, c. 439, Pt. UUUU, §1, is amended to read:

2. Source of fund. Beginning July 1, 2003 and every July 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the ~~7%8%~~ tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the first 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund as described by Title 30-A, section 5681, subsection 5. Beginning on October 1, 2003 and every October 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the ~~7%8%~~ tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the last 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund.

The tax amount must be based on actual sales for that fiscal year and may not consider any accruals that may be required by law. The amount transferred from General Fund sales and use tax revenues does not affect the calculation for the transfer to the Local Government Fund.

Sec. E-2. 10 MRSA §1305, as amended by PL 1997, c. 668, §1, is further amended to read:

§ 1305. Terminal rental adjustment clauses; vehicle leases that are not sales or security interests

Notwithstanding any other provision of law, in the case of motor vehicles or trailers, a transaction does not create a sale or security interest merely because the agreement provides that the rental price is permitted or required to be adjusted upward or downward by reference to the amount realized upon sale or other disposition of the motor vehicle or trailer. ~~A transaction may be considered a sale for purposes of Title 36.~~

Sec. E-3. 30-A MRSA §5681, sub-§5, as amended by PL 2007, c. 240, Pt. S, §§1 and 2, is further amended to read:

5. Transfers to funds. On the last day of each month, the Treasurer of State shall transfer to the Local Government Fund a percentage, as provided in this subsection, of the receipts from the taxes imposed under Title 36, Parts 3 and 8, and Title 36, section 2552, subsection 1, paragraphs A to F and L and M, and credited to the General Fund without any reduction, except that the postage, state cost allocation program and programming costs of administering state-municipal revenue sharing may be paid by the Local Government Fund. Any amounts transferred to the Local Government Fund in excess of the annual growth ceiling must be transferred to the Disproportionate Tax Burden Fund. The percentage transferred to the Local Government Fund on the last day of each month is:

- A. For months beginning before July 1, 2009, 5.1%; and
- B. For months beginning on or after July 1, 2009, 5.2%.

Sec. E-4. 36 MRSA §1752, sub-§1-I is enacted to read:

1-I. Amusement, entertainment and recreation services. "Amusement, entertainment and recreation services" includes but is not limited to the following services, except those services provided by a governmental entity or an incorporated nonprofit organization: admission to entertainment venues and performances, including theaters, movies, lectures, concerts, amusement parks, water parks, fairgrounds, race tracks, carnivals, circuses, sports activities, stadiums, amphitheaters, museums, planetariums, animal parks, petting zoos, aquariums, historical sites, state parks and convention centers; fees charged for participation in or entry to golf courses, miniature golf courses, ski areas, bowling alleys, swimming pools, skating rinks, billiard parlors, gymnasiums, go-cart courses, tennis and racquetball courts and paintball; admission fees charged for exhibition shows such as auto, boat, camping, home, garden, animal and antique shows; scenic and sightseeing excursions including whitewater rafting, guided recreation, but excluding guided recreation services on federally navigable waters, and aircraft, helicopter, balloon, blimp, watercraft, railroad, bus, trolley and wagon rides; lessons and training in such areas as music, sports, dance, martial arts, gymnastics, physical fitness, arts and crafts; entertainment services such

as those provided by bands, orchestras, disc jockeys, comedians, clowns, jugglers, children's entertainers and ventriloquists; proceeds from arcade games; and fees paid to for-profit recreation and vacation camps for tuition and recreation services.

Sec. E-5. 36 MRSA §1752, sub-§1-J is enacted to read:

1-J. Candy. "Candy" means a preparation of sugar, honey or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops or pieces.

Sec. E-6. 36 MRSA §1752, sub-§2-D is enacted to read:

2-D. Elective cosmetic medical procedure. "Elective cosmetic medical procedure" means any medical procedure on an individual that is directed at improving the individual's appearance and that does not meaningfully promote the proper function of the body or prevent or treat illness or disease. "Elective cosmetic medical procedure" includes but is not limited to cosmetic surgery, hair transplants, cosmetic injections, cosmetic soft tissue fillers, dermabrasion and chemical peel, laser hair removal, laser skin resurfacing, laser treatment of leg veins, sclerotherapy and cosmetic dentistry. "Elective cosmetic medical procedure" does not include reconstructive surgery or dentistry. As used in this subsection, "cosmetic surgery" means the surgical reshaping of normal structures of the body to improve the body image, self-esteem or appearance of an individual and "reconstructive surgery or dentistry" includes any surgery or dentistry performed on abnormal structures caused by or related to congenital defects, developmental abnormalities, trauma, infection, tumors or disease, including procedures to improve function or give a more normal appearance.

Sec. E-7. 36 MRSA §1752, sub-§3-B, as amended by PL 1999, c. 698, §1 and affected by §3, is further amended to read:

3-B. Grocery staples. "Grocery staples" means food products ordinarily consumed for human nourishment and includes dairy and egg products, other than ice cream, ice milk and frozen yogurt; spices and herbs; baby foods; fats and oils; poultry products; soups, sauces and gravies; sausages and luncheon meats; breakfast cereals; fruits and fruit juices, other than soft drinks; pork products; vegetables and vegetable products, other than soft drinks; beef products; coffee and coffee substitutes; tea, other than liquid iced tea or powdered iced tea mix; cocoa and cocoa products, other than candy; finfish and shellfish products; legumes and legume products; lamb, veal and game products; bread, rolls and biscuits, including bagels and English muffins; sugar and sugar substitutes, other than candy; cereal grains and pasta, including unflavored matzo; leavening agents and other baking ingredients; gelatins and puddings, other than ready-to-eat; and meals, entrees and side dishes.

"Grocery staples" does not include spirituous, malt or vinous liquors; soft drinks, iced tea, sodas or beverages such as are ordinarily dispensed at bars or soda fountains or in connection with bars or soda fountains; alcoholic beverages; medicines, tonics, vitamins and preparations in liquid, powdered, granular, tablet, capsule, lozenge or pill form, sold as dietary supplements or adjuncts, except when sold on the prescription of a physician; water, including mineral bottled and carbonated waters and ice; dietary substitutes; candy and confections; and prepared food.

Sec. E-8. 36 MRSA §1752, sub-§4-A is enacted to read:

4-A. Installation, repair or maintenance services. "Installation, repair or maintenance services" includes all services involved in the installation, repair or maintenance of tangible personal property such as jewelry, cameras, guns, musical instruments, electronic and mechanical equipment, lawn and garden equipment, computers and office equipment, vehicles and appliances; service and maintenance contracts; tailoring, clothing and shoe repair; and furniture repair and restoration. "Installation, repair or maintenance services" does not include services performed on machinery and equipment used in production sold to a person engaged in production.

Sec. E-9. 36 MRSA §1752, sub-§5-C is enacted to read:

5-C. Lease or rental. "Lease" or "rental" includes sublease or subrental and means any transfer of possession or control of tangible personal property for a fixed or indeterminate term for consideration. A lease or rental may include future options to purchase or extend.

A. "Lease" or "rental" includes agreements covering motor vehicles and trailers when the amount of consideration may be increased or decreased by reference to the amount realized upon sale or disposition of the property, as defined in Section 7701(h)(1) of the Code.

B. "Lease" or "rental" does not include:

(1) Any transfer of possession or control of property under a security agreement or deferred payment plan that requires the transfer of title upon completion of the required payments;

(2) Any transfer of possession or control of property under an agreement that requires the transfer of title upon completion of required payments and payment of an option price that does not exceed the greater of \$100 and 1% of the total required payments; or

(3) Providing tangible personal property along with an operator for a fixed or indeterminate period of time. A condition of this exclusion is that the operator is necessary for the equipment to perform as designed. For the purpose of this paragraph, an operator must do more than maintain, inspect or set up the tangible personal property.

Sec. E-10. 36 MRSA §1752, sub-§8-A, as repealed and replaced by PL 2001, c. 439, Pt. TTTT, §1 and affected by §3, is amended to read:

8-A. Prepared food. "Prepared food" means:

A. Meals or items usually consumed as part of a meal served on or off the premises of the retailer; and

B. Food and drinks that are prepared by the retailer for human consumption, and ready for consumption without further preparation; and that are not grocery staples, including, but not limited to:

(1) Candy and confections, including, but not limited to, marshmallows and marshmallow creme or fluff;

(2) Soft drinks;

(3) Sandwiches and prepared salads;

(4) Supplemental meal items such as corn chips, potato chips and crisped vegetable or fruit chips, pork rinds, pretzels, crackers, popped popcorn, cheese sticks and cheese puffs;

(5) Fruit bars, granola bars, breakfast bars, rice cakes, bread sticks and dried sugared fruit;

(6) Roasted nuts and seeds;

(7) Desserts and bakery items, including, but not limited to, doughnuts, cookies, pastries, toaster pastries, croissants, cakes, pies, ice cream cones, ice cream, ice milk, frozen confections, frozen yogurt, sherbet, ready-to-eat pudding and gelatins and dessert sauces; and

(8) Meat jerky, meat bars and dips.

C. ~~All food and drinks sold from an establishment whose sales of food and drinks that are prepared by the retailer account for more than 75% of the establishment's gross receipts.~~

~~"Prepared food" does not include bulk sales of grocery staples.~~

~~As used in this subsection, "without further preparation" means that the product does not require boiling, frying, grilling, baking or cooking of any kind or is not mixed with other products before being boiled, fried, grilled, baked or cooked and "without further preparation" does not include toasting, microwaving or otherwise heating a product for palatability rather than for the purpose of cooking the product.~~

Sec. E-11. 36 MRSA §1752, sub-§8-C is enacted to read:

8-C. Personal care services. "Personal care services" includes services related to the human body including hair care and maintenance, body piercing, tattooing, tanning, massage, nail care, foot care, reflexology, spa treatments and electrolysis; memberships or fees paid for fitness training, health clubs and spas; and elective cosmetic medical procedures. Except for elective cosmetic medical procedures, "personal care services" does not include medical services or services ordered by a physician.

Sec. E-12. 36 MRSA §1752, sub-§8-D is enacted to read:

8-D. Personal property services. "Personal property services" includes services related to personal property, including dry cleaning; laundry and diaper services not including self-service laundry services; embroidery and monogramming; car washing; pressure cleaning and washing; pet services such as exercising, sitting, training, grooming and boarding for nonmedical purposes; picture framing; domestic services, including house cleaning, furniture and rug cleaning; interior decoration; meal preparation; butchering; art restoration; warehousing and storage, including rental of storage units and warehouse space, but not including warehousing and storage services provided to a business; moving services; vehicle towing; and boat mooring. "Personal property services" does not include fabrication services as defined in section 2551, subsection 3.

Sec. E-13. 36 MRSA §1752, sub-§9-E is enacted to read:

9-E. Real property services. "Real property services" means services related to real property including repairs, maintenance and other service to buildings and land, such as electrical, plumbing, cooling, heating, flooring and structure; painting and papering; janitorial services; other household operations including gutter cleaning, grounds maintenance, landscaping, tree service and removal, driveway sealing and lawn care; pest control; security systems installation and monitoring; fire protection; pool service and maintenance; chimney service and cleaning; snow plowing, shoveling and removal; waste removal; asbestos removal other than services provided to a business; and building moving services. "Real property services" does not include construction services, including construction of buildings, excavation, well drilling or installation of septic systems. "Real property services" does not include asbestos removal; construction, rehabilitation or renovation of buildings, structures or facilities; site work; well drilling; or installment of septic systems. For purposes of this subsection, "construction services" means the construction of a new building, structure or facility, including the addition of square footage to an existing structure and the rehabilitation of an existing structure.

Sec. E-14. 36 MRSA §1752, sub-§11, as amended by PL 2005, c. 218, §§14 and 15, is further amended to read:

11. Retail sale. "Retail sale" means any sale, lease or rental of tangible personal property in the ordinary course of business for any purpose other than for resale, except resale as a casual sale, in the form of tangible personal property. "Retail sale" also means any sale of a taxable service in the ordinary course of business for any purpose other than for resale, except resale as a casual sale.

A. "Retail sale" includes:

(1) ~~Conditional sales, installment lease sales and any other transfer of tangible personal property when the title is retained as security for the payment of the purchase price and is intended to be transferred later; and~~

(2) ~~Sale of products for internal human consumption to a person for resale through vending machines when sold to a person more than 50% of whose gross receipts from the retail sale of tangible personal property are derived from sales through vending machines. The tax must be paid by the retailer to the State.~~

B. "Retail sale" does not include:

(1) Any casual sale;

(2) Any sale by a personal representative in the settlement of an estate, unless the sale is made through a retailer, or unless the sale is made in the continuation or operation of a business; or

~~(3) The sale, to a person engaged in the business of renting automobiles, of automobiles, integral parts of automobiles or accessories to automobiles, for rental or for use in an automobile rented on a short-term basis;~~

~~(4) The sale, to a person engaged in the business of renting video media and video equipment, of video media or video equipment for rental;~~

~~(5) The sale, to a person engaged in the business of renting or leasing automobiles, of automobiles for rental or lease for one year or more;~~

~~(6) The sale, to a person engaged in the business of providing cable or satellite television services, of associated equipment for rental or lease to subscribers in conjunction with a sale of extended cable or extended satellite television services; or~~

~~(7) The sale, to a person engaged in the business of renting furniture, or audio media and audio equipment, of furniture, audio media or audio equipment for rental pursuant to a rental-purchase agreement as defined in Title 9-A, section 11-105.~~

(8) The sale, to a person engaged in the business of renting or leasing tangible personal property, of tangible personal property for lease or rental.

Sec. E-15. 36 MRSA §1752, sub-§13, as amended by PL 1981, c. 706, §20, is further amended to read:

13. Sale. "Sale" means any transfer, exchange or barter, in any manner or by any means whatsoever, for a consideration and includes leases and contracts payable by rental or license fees for the right of possession and use, but only when such leases and contracts are deemed by the State Tax Assessor to be in lieu of purchase or rental of tangible personal property.

Sec. E-16. 36 MRSA §1752, sub-§14, ¶B, as amended by PL 2005, c. 675, §1 and affected by §2, is further amended to read:

B. "Sale price" does not include:

- (1) Discounts allowed and taken on sales;
- (2) Allowances in cash or by credit made upon the return of merchandise pursuant to warranty;
- (3) The price of property returned by customers, when the full price is refunded either in cash or by credit;
- ~~(4) The price received for labor or services used in installing or applying or repairing the property sold, if separately charged or stated;~~
- (5) Any amount charged or collected, in lieu of a gratuity or tip, as a specifically stated service charge, when that amount is to be disbursed by a hotel, motel, restaurant or other eating establishment to its employees as wages;
- (6) The amount of any tax imposed by the United States on or with respect to retail sales, whether imposed upon the retailer or the consumer, except any manufacturers', importers', alcohol or tobacco excise tax;
- ~~(7) The cost of transportation from the retailer's place of business or other point from which shipment is made directly to the purchaser, provided that those charges are separately stated and the transportation occurs by means of common carrier, contract carrier or the United States mail;~~
- (8) The fee imposed by Title 10, section 1169, subsection 11;
- (9) The fee imposed by section 4832, subsection 1;
- (10) The lead-acid battery deposit imposed by Title 38, section 1604, subsection 2-B; or
- (11) Any amount charged or collected by a person engaged in the rental of living quarters as a forfeited room deposit or cancellation fee if the prospective occupant of the living quarters cancels the reservation on or before the scheduled date of arrival.

Sec. E-17. 36 MRSA §1752, sub-§14-G is enacted to read:

14-G. Soft drink. "Soft drink" means any nonalcoholic beverage that contains natural or artificial sweeteners. "Soft drink" does not include any beverage that contains milk or milk products, greater than 50% of vegetable or fruit juice by volume or flavored or unflavored soy milk, rice milk, almond milk, grain milk and similar milk substitutes.

Sec. E-18. 36 MRSA §1752, sub-§17-B, as enacted by PL 2003, c. 673, Pt. V, §19 and affected by §29, is repealed and the following enacted in its place:

17-B. Taxable service. "Taxable service" means:

- A. Rental of living quarters in a hotel, rooming house or tourist or trailer camp;
- B. Transmission and distribution of electricity;
- C. Rental or lease of tangible personal property;
- D. Sale of prepaid calling service;
- E. Amusement, entertainment and recreation services;
- F. Installation, repair and maintenance services;
- G. Personal care services;
- H. Personal property services;
- I. Real property services; and
- J. Transportation and delivery services.

Sec. E-19. 36 MRSA §1752, sub-§19-A is enacted to read:

19-A. Transportation and delivery services. "Transportation and delivery services" means purchases of intrastate transportation of persons including transportation by taxi, limousine, rail, water, air, van pools or bus; the service of providing intrastate transportation of property other than that service provided to a business; independent courier services; and travel agency service fees.

Sec. E-20. 36 MRSA §1752, sub-§21, as amended by PL 2005, c. 215, §17, is further amended to read:

21. Use. "Use" includes the exercise in this State of any right or power over tangible personal property incident to its ownership, ~~including the derivation of income, whether received in money or in the form of other benefits, by a lessor from the rental of tangible personal property located in this State.~~

Sec. E-21. 36 MRSA §1754-B, sub-§1, ¶C, as enacted by PL 1995, c. 640, §3, is amended to read:

C. Every lessor engaged in the leasing of tangible personal property located in this State ~~that does not maintain a place of business in this State but makes retail sales to purchasers from this State;~~

Sec. E-22. 36 MRSA §1758, as repealed and replaced by PL 1999, c. 708, §24, is repealed.

Sec. E-23. 36 MRSA §1760, sub-§6, ¶D, as amended by PL 1999, c. 502, §2, is further amended to read:

D. To residents of incorporated nonprofit church-affiliated congregate housing facilities for the elderly in which at least 75% of the units are available for leasing to eligible lower-income residents;
and

Sec. E-24. 36 MRSA §1760, sub-§6, ¶E, as enacted by PL 1999, c. 502, §3, is amended to read:

E. Served by colleges to employees of the college when the meals are purchased with debit cards issued by the colleges; and

Sec. E-25. 36 MRSA §1760, sub-§6, ¶F is enacted to read:

F. Served by a nonprofit recreation and vacation camp.

Sec. E-26. 36 MRSA §1760, sub-§14 is repealed.

Sec. E-27. 36 MRSA §1760, sub-§24, is amended to read:

24. Funeral services. Sales of funeral services, excluding the use of tangible personal property in connection with funeral services.

Sec. E-28. 36 MRSA §1760, sub-§32-A is enacted to read:

32-A. Services to certain machinery and equipment. Sales of taxable services performed on machinery and equipment exempt from sales tax under subsections 29 to 32.

Sec. E-29. 36 MRSA §1760, sub-§34, as amended by PL 2005, c. 218, §23, is repealed.

Sec. E-30. 36 MRSA §1760, sub-§45, as amended by PL 2005, c. 519, Pt. EE, §1 and affected by §3, is further amended to read:

45. Certain property purchased outside State. Sales of property purchased and used by the present owner outside the State:

A. If the property is an automobile, as defined in Title 29-A, section 101, subsection 7, and if the owner was, at the time of purchase, a resident of the other state and either employed or registered to vote there;

A-1. If the property is a watercraft that is registered outside the State by an owner who at the time of purchase was a resident of another state and the watercraft is present in the State not more than 30 days during the 12 months following its purchase for a purpose other than temporary storage;

A-2. If the property is a snowmobile or all-terrain vehicle as defined in Title 12, section 13001 and the purchaser is not a resident of the State;

A-3. If the property is an aircraft not exempted under subsection 88 and the owner at the time of purchase was a resident of another state or tax jurisdiction and the aircraft is present in this State not more than 20 days during the 12 months following its purchase, exclusive of days during which the aircraft is in this State for the purpose of undergoing "major alterations," "major repairs" or "preventive maintenance" as those terms are described in 14 Code of Federal Regulations, Appendix A to Part 43, as in effect on January 1, 2005. For the purposes of this paragraph, the location of an aircraft on the ground in the State at any time during a day is considered presence in the State for that entire day; or

B. For more than 12 months in all other cases.

Property, other than automobiles, watercraft, snowmobiles, all-terrain vehicles and aircraft, that is required to be registered for use in this State does not qualify for this exemption unless it was registered by its present owner outside this State more than 12 months prior to its registration in this State. If property required to be registered for use in this State was not required to be registered for use outside this State, the owner must be able to document actual use of the property outside this State for more than 12 months prior to its registration in this State. For purposes of this subsection, "use" does not include storage but means actual use of the property for a purpose consistent with its design. This exemption does not apply to leased property.

Notwithstanding section 1752-A, "resident" may include an individual, an association, a society, a club, a general partnership, a limited partnership, a limited liability company, a trust, an estate, a corporation and any other legal entity.

Sec. E-31. 36 MRSA §1760, sub-§90 is enacted to read:

90. Certain taxable services. The sale of taxable service sold by a person that has made sales taxable under this chapter during the most recent calendar year of no more than \$5,000.

Sec. E-32. 36 MRSA §1760-C, as amended by PL 2005, c. 622, §9, is further amended to read:

§ 1760-C. Exempt activities

The tax exemptions provided by section 1760 to a person based upon its charitable, nonprofit or other public purposes apply only if the property or service purchased is intended to be used by the person primarily in the activity identified by the particular exemption. The tax exemptions provided by section 1760 to a person based upon its charitable, nonprofit or other public purposes do not apply where title is held or taken by the person as security for any financing arrangement. Exemption certificates issued by the State Tax Assessor pursuant to section 1760 must identify the exempt activity and must state that the certificate may be used by the holder only when purchasing property or services intended to be used by the holder primarily in the exempt activity. When an otherwise qualifying person is engaged in both exempt and nonexempt activities, an exemption certificate may be issued to the person only if the person has established to the satisfaction of the assessor that the applicant has adequate accounting controls to

limit the use of the certificate to exempt purchases. The tax exemptions provided by section 1760 to a person based upon its charitable, nonprofit or other public purposes do not apply to the sale of meals or lodging or the rental of automobiles.

Sec. E-33. 36 MRSA §1811, first ¶, as amended by PL 2001, c. 439, Pt. TTTT, §2 and affected by §3, is further amended to read:

A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is ~~7%~~8% on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43; ~~7%~~8% on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp; ~~10%~~15% on the value of rental for a period of less than one year of an automobile; ~~7%~~8% on the value of prepared food; and 5% on the value of all other tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided.

Sec. E-34. 36 MRSA §1811, 3rd ¶, as repealed and replaced by PL 2003, c. 510, Pt. C, §12 and affected by §13, is repealed.

Sec. E-35. 36 MRSA §1812, sub-§1, as reallocated by PL 1999, c. 790, Pt. A, §48, is repealed and the following enacted in its place:

1. Computation. Every retailer must add the sales tax imposed by section 1811 to the sale price on all sales of tangible personal property and taxable services that are subject to tax under this Part. The tax when so added is a debt of the purchaser to the retailer until it is paid and is recoverable at law by the retailer from the purchaser in the same manner as the sale price. When the sale price involves a fraction of a dollar, the tax computation must be carried to the 3rd decimal place, then rounded down to the next whole cent whenever the 3rd decimal place is one, 2, 3 or 4 and rounded up to the next whole cent whenever the 3rd decimal place is 5, 6, 7, 8 or 9.

Sec. E-36. 36 MRSA §1812, sub-§2, as amended by PL 1991, c. 846, §24, is further amended to read:

2. Several items. When several purchases are made together and at the same time, the tax must may be computed on each item individually or on the total amount of the several items, except that purchases taxed at different rates must be separately totaled as the retailer may elect.

Sec. E-37. 36 MRSA §1817 is enacted to read:

§ 1817. Accelerated payment of tax on leases and rentals

The tax imposed by this Part on the rental or lease of tangible personal property must be collected by the lessor at the time the property that is the subject of the lease is delivered to the lessee or at the time the initial payment under the lease is required to be made by the lessee, whichever is earlier, on the basis of the total amount of the consideration to be paid by the lessee under the terms of the lease agreement. If the total amount of the consideration for the lease includes amounts that are not calculated at the time the lease is executed, the tax attributable to those amounts must be collected by the lessor at the time those amounts are billed to the lessee. In the case of an open-end lease, the tax must be collected by the lessor on the basis of the total amount to be paid during the initial fixed term of the lease, and then for

each subsequent renewal period as it comes due. For purposes of this section, "consideration" includes, without limitation, the amount of any down payment, trade-in credit or 3rd-party rebate that is applied to reduce the cost of the leased property upon which the lease payments are computed. Collection and remittance of the tax is the responsibility of the person that negotiates the lease transaction with the lessee.

Sec. E-38. 36 MRSA §1861, as amended by PL 1995, c. 640, §6, is further amended to read:

§ 1861. Imposition

A tax is imposed, at the respective rate provided in section 1811, on the storage, use or other consumption in this State of tangible personal property or a taxable service, the sale of which would be subject to tax under section 1764 or 1811. Every person so storing, using or otherwise consuming is liable for the tax until the person has paid the tax or has taken a receipt from the seller, as duly authorized by the assessor, showing that the seller has collected the sales or use tax, in which case the seller is liable for it. Retailers registered under section 1754-B or 1756 shall collect the tax and make remittance to the assessor. The amount of the tax payable by the purchaser is that provided in the case of sales taxes by section 1812. When tangible personal property is leased outside the State and subsequently brought into the State, the tax due under this section is the proportion of the tax otherwise due under this Part that the remaining portion of the lease bears to the entire term of the lease. When tangible personal property purchased for resale is withdrawn from inventory by the retailer for the retailer's own use, use tax liability accrues at the date of withdrawal.

Sec. E-39. 36 MRSA §1862, as amended by PL 1987, c. 772, §24, is further amended to read:

§ 1862. Taxes paid in other jurisdictions

~~The use tax provisions of chapters 211 to 225 shall imposed by this Part does not apply with respect to the use, storage or other consumption in this State of purchases outside the State where the purchaser has paid a sales or use tax equal to or greater than the amount imposed by chapters 211 to 225 this Part in another taxing jurisdiction, the proof of payment of the tax to be according to rules made by the State Tax Assessor. If the amount of sales or use tax paid in another taxing jurisdiction is not equal to or greater than the amount of tax imposed by chapters 211 to 225 this Part, then the purchaser shall pay to the State Tax Assessor an amount sufficient to make the total amount of tax paid in the other taxing jurisdiction and in this State equal to the amount imposed by chapters 211 to 225 this Part. When tangible personal property is leased outside the State and subsequently brought into the State, the credit allowed under this section may not exceed the proportion of the tax otherwise due under this Part that the period for which the property was leased in the other taxing jurisdiction bears to the entire term of the lease.~~

Sec. E-40. 36 MRSA §2018 is enacted to read:

§ 2018. Removal from the State of leased property

If leased property with respect to which the tax imposed by this Part has been paid on an accelerated basis is permanently removed from the State, the lessee is entitled to a refund of the tax allocable to that portion of the lease that remains in effect after the property has been removed from the State. A refund may not be issued unless the taxing jurisdiction to which the property is removed allows a corresponding refund with respect to the lease of property upon which a sales or use tax was due and has been paid in

this State. A refund may not be issued if the other taxing jurisdiction allows a credit to the lessee for the sales or use tax paid in this State on the lease transaction. The refund must be requested in accordance with the provisions of section 2011.

Sec. E-41. 36 MRSA §2551, sub-§1, as enacted by PL 2003, c. 673, Pt. V, §25 and affected by §29, is repealed.

Sec. E-42. 36 MRSA §2551, sub-§1-C is enacted to read:

1-C. Ancillary services. "Ancillary services" means services that are associated with or incidental to the provision of telecommunications services including, but not limited to, conference bridging service, detailed telecommunications billing service, directory assistance, vertical service and voice mail services.

Sec. E-43. 36 MRSA §2551, sub-§1-D is enacted to read:

1-D. Conference bridging service. "Conference bridging service" means an ancillary service that links 2 or more participants in an audio or video conference call and may include the provision of a telephone number. "Conference bridging service" does not include the telecommunications services used to reach the conference bridge.

Sec. E-44. 36 MRSA §2551, sub-§1-E is enacted to read:

1-E. Detailed telecommunications billing service. "Detailed telecommunications billing service" means an ancillary service of separately stating information pertaining to individual calls on a customer's billing statement.

Sec. E-45. 36 MRSA §2551, sub-§1-F is enacted to read:

1-F. Directory assistance. "Directory assistance" means an ancillary service of providing telephone number information or address information.

Sec. E-46. 36 MRSA §2551, sub-§2, as amended by PL 2005, c. 12, Pt. TTT, §2 and affected by §4, is further amended to read:

2. Extended cable and satellite television or radio services. "Extended cable and satellite television or radio services" means all cable and satellite television or radio service that is in addition to when more than the minimum service that can be purchased from a provider by the cable or satellite television or radio supplier, including the use of associated equipment for which a charge is made is purchased. It does not include a lease or the installation of the associated equipment for which a separate charge is levied.

"Minimum service" means the least amount of service marketed by the supplier to the general public.

Sec. E-47. 36 MRSA §2551, sub-§4, as enacted by PL 2003, c. 673, Pt. V, §25 and affected by §29, is repealed.

Sec. E-48. 36 MRSA §2551, sub-§7, as enacted by PL 2003, c. 673, Pt. V, §25 and affected by §29, is repealed.

Sec. E-49. 36 MRSA §2551, sub-§20, as enacted by PL 2003, c. 673, Pt. V, §25 and affected by §29, is repealed.

Sec. E-50. 36 MRSA §2551, sub-§20-A is enacted to read:

20-A. Telecommunications services. "Telecommunications services" means the electronic transmission, conveyance or routing of voice, data, audio, video or any other information or signals to a point or between or among points. "Telecommunications services" includes transmission, conveyance or routing in which computer processing applications are used to act on the form, code or protocol of the content for purposes of transmission, conveyance or routing without regard to whether the service is referred to as "voice over Internet protocol services" or is classified by the Federal Communications Commission as enhanced or value-added. "Telecommunications services" does not include:

A. Data processing and information services that allow data to be generated, acquired, stored, processed or retrieved and delivered by an electronic transmission to a purchaser where the purchaser's primary purpose for the underlying transaction is the processed data or information;

B. Installation or maintenance of wiring or equipment on a customer's premises;

C. Tangible personal property;

D. Advertising, including, but not limited to, directory advertising;

E. Billing and collection services provided to 3rd parties;

F. Internet access service;

G. Radio and television audio and video programming services, regardless of the medium, including the furnishing of transmission, conveyance and routing of the services by the programming service provider. Radio and television audio and video programming services include, but are not limited to, cable service as defined in 47 United States Code, Section 522(6) and audio and video programming services delivered by commercial mobile radio service providers, as defined in 47 Code of Federal Regulations, Section 20.3;

H. Ancillary services; or

I. Digital products delivered electronically, including, but not limited to, software, music, video, reading materials and ringtones.

Sec. E-51. 36 MRSA §2551, sub-§20-B is enacted to read:

20-B. Vertical service. "Vertical service" means an ancillary service that is offered in connection with one or more telecommunications services that offers advanced calling features that allow customers to identify callers and to manage multiple calls and call connections, including conference bridging services.

Sec. E-52. 36 MRSA §2551, sub-§21, as enacted by PL 2003, c. 673, Pt. V, §25 and affected by §29, is repealed.

Sec. E-53. 36 MRSA §2551, sub-§22 is enacted to read:

22. Voice mail service. "Voice mail service" means an ancillary service that enables a customer to store, send or receive recorded messages. "Voice mail service" does not include any vertical services that the customer may be required to have in order to use the voice mail service.

Sec. E-54. 36 MRSA §2552, sub-§1, as amended by PL 2005, c. 386, Pt. S, §§4 to 6 and affected by §9, is further amended to read:

1. Rate. A tax at the rate of 5% is imposed on the value of the following services sold in this State:

- A. Extended cable and satellite television or radio services;
- B. Fabrication services;
- C. ~~Rental of video media and video equipment;~~
- D. ~~Rental of furniture, audio media and audio equipment pursuant to a rental-purchase agreement as defined in Title 9-A, section 11-105;~~
- E. Telecommunications services;
- F. The installation, maintenance or repair of telecommunications equipment;
- G. Private nonmedical institution services;
- H. Community support services;
- I. Day habilitation services;
- J. Personal support services; and
- K. Residential training services;;
- L. Directory advertising services; and
- M. Ancillary services.

Sec. E-55. 36 MRSA §2557, sub-§30, as amended by PL 2005, c. 218, §35, is further amended to read:

30. Sales for resale. Sales of services to another service provider for resale; ~~and~~

Sec. E-56. 36 MRSA §2557, sub-§31, as amended by PL 2005, c. 622, §12, is further amended to read:

31. Construction contracts with exempt organizations. Sales to a construction contractor or its subcontractor of fabrication services that are to be physically incorporated in, and become a permanent part of, real property for sale to any organization or government agency provided exemption under this section, except as otherwise provided by section 2560; and

Sec. E-57. 36 MRSA §2557, sub-§32 is enacted to read:

32. Prepaid calling service. Prepaid calling service.

Sec. E-58. 36 MRSA §2559, as amended by PL 2005, c. 386, Pt. S, §7 and affected by §9, is further amended to read:

§ 2559. Application of revenues

Revenues derived by the tax imposed by this chapter must be credited to a General Fund suspense account. On or before the last day of each month, the State Controller shall transfer a percentage of the revenues received by the State Tax Assessor during the preceding month pursuant to the tax imposed by section 2552, subsection 1, paragraphs A to F and L and M to the Local Government Fund as provided by Title 30-A, section 5681, subsection 5. The balance remaining in the General Fund suspense account must be transferred to service provider tax General Fund revenue. On or before the 15th day of each month, the State Controller shall transfer all revenues received by the assessor during the preceding month pursuant to the tax imposed by section 2552, subsection 1, paragraphs G to K to the Medical Care Services Other Special Revenue Funds account, the Other Special Revenue Funds Mental Health Services - Community Medicaid program, the Medicaid Services - Mental Retardation program and the Office of Substance Abuse - Medicaid Seed program within the Department of Health and Human Services.

Sec. E-59. Appropriations and allocations. The following appropriations and allocations are made.

ECONOMIC AND COMMUNITY DEVELOPMENT, DEPARTMENT OF

Office of Tourism 0577

Initiative: Allocates funds to the Tourism Marketing Promotion Fund due to the increase in certain sales tax revenue.

OTHER SPECIAL REVENUE FUNDS	2007-08	2008-09
All Other	\$0	\$1,001,493
	<hr/>	
OTHER SPECIAL REVENUE FUNDS TOTAL	\$0	\$1,001,493

PART F

Sec. F-1. 36 MRSA §4641, sub-§2-B is enacted to read:

2-B. Residential property. "Residential property" means real property consisting of one to 4 dwelling units, at least one of which is intended to be used as a residence by the grantee.

Sec. F-2. 36 MRSA §4641-A, sub-§1, as enacted by PL 2001, c. 559, Pt. I, §3 and affected by §15, is repealed.

Sec. F-3. 36 MRSA §4641-A, sub-§1-A is enacted to read:

1-A. Deeds. A tax is imposed at the following rates on each deed by which any real property in this State is transferred. The tax is imposed 1/2 on the grantor and 1/2 on the grantee.

A. The rate of tax on residential property with a value of \$1,000,000 or less that is intended to be used by the grantee as a permanent residence, as defined in section 681, subsection 3, within 6 months of the transfer is:

(1) Six-tenths of one percent on the first \$250,000 of value;

(2) Eight-tenths of one percent on the next \$250,000 of value; and

(3) One percent on the next \$500,000 of value.

B. The rate of tax on residential property with a value exceeding \$1,000,000 is 1.5%.

C. Except as provided in paragraphs A and B, the rate of tax on real property is 1%.

Sec. F-4. 36 MRSA §4641-A, sub-§2, ¶A, as enacted by PL 2001, c. 559, Pt. I, §3 and affected by §15, is repealed and the following enacted in its place:

A. The rate of the tax is 1% of the value of the real property owned by the entity and located in this State.

Sec. F-5. 36 MRSA §4641-B, sub-§3, as enacted by PL 2001, c. 559, Pt. I, §4 and affected by §15, is repealed and the following enacted in its place:

3. Disposition of funds. From the tax collected under this section during the previous month, each register of deeds shall retain 10% of the amount of the tax attributable to the first 0.44% of the value of each transfer subject to tax under this chapter and, on or before the 10th day of each month, pay to the State Tax Assessor the remainder. The amount retained by the register of deeds must be retained for the county and accounted for to the county treasurer as reimbursement for services rendered by the county in collecting the tax. If the tax collected is not paid by the 10th day of the month, the State Tax Assessor may impose interest pursuant to section 186.

Sec. F-6. 36 MRSA §4641-B, sub-§4, as amended by PL 2007, c. 240, Pt. H, §1, is further amended to read:

4. Distribution of State's share of proceeds. The State Tax Assessor shall pay all net receipts received pursuant to this section to the Treasurer of State, and shall at the same time provide the Treasurer of State with documentation showing the amount of revenues derived from the tax imposed by section 4641-A, subsection 1 and the amount of revenues derived from the tax imposed by section 4641-A, subsection 2. The Until July 1, 2008, the Treasurer of State shall credit 1/2 of the revenues derived from the tax imposed by section 4641-A, subsection 1 to the General Fund and shall monthly pay the remaining 1/2 of such revenues to the Maine State Housing Authority, which shall deposit the funds in the Housing Opportunities for Maine Fund created in Title 30-A, section 4853, except that in fiscal year 2003-04, fiscal year 2004-05 and fiscal year 2005-06, \$7,500,000 of the remaining 1/2 of those revenues must be transferred to the General Fund before any payments are made to the Maine State Housing Authority, in fiscal year 2006-07, \$7,687,067 of the remaining 1/2 of those revenues must be transferred to the General Fund before any payments are made to the Maine State Housing Authority and in fiscal year 2007-08 and fiscal year 2008-09, \$5,000,000 of the remaining 1/2 of those revenues must be transferred to the General Fund before any payments are made to the Maine State Housing Authority. Beginning July 1, 2008, the Treasurer of State shall credit an amount equal to 50% of the revenue received by the State attributable to the tax on the first 0.44% of the value of each transfer subject to tax imposed under section 4641-A, subsection 1 to the Maine State Housing Authority, which shall deposit the funds in the Housing Opportunities for Maine Fund. The remainder must be credited to the General Fund. The Treasurer of State shall credit to the General Fund all of the revenues derived from the tax imposed by section 4641-A, subsection 2.

Sec. F-7. Effective date. This Part takes effect October 1, 2007.

PART G

Sec. G-1. 28-A MRSA §1652, sub-§1, as repealed and replaced by PL 1987, c. 342, §116, is amended to read:

1. Excise tax on malt liquor. An excise tax is imposed on the privilege of manufacturing and selling malt liquor in the State. The Maine manufacturer or importing wholesale licensee shall pay an excise tax of 25¢ per gallon on all malt liquor sold in the State that is manufactured by a manufacturer that produced in total less than 100,000 barrels of malt liquor in the previous calendar year and 50¢ per gallon on all other malt liquor sold in the State.

Sec. G-2. 28-A MRSA §1652, sub-§1-A, as amended by PL 1993, c. 462, §7, is further amended to read:

1-A. Excise tax on low-alcohol spirits products and fortified wines. An excise tax is imposed on the privilege of manufacturing and selling low-alcohol spirits products and fortified wines in the State. The Maine manufacturer or importing wholesale licensee shall pay an excise tax of ~~\$1~~\$2 per gallon on all low-alcohol spirits products and fortified wines manufactured in or imported into the State.

Sec. G-3. 28-A MRSA §1652, sub-§2, as amended by PL 1997, c. 767, §4, is further amended to read:

2. Excise tax on wine; hard cider. An excise tax is imposed on the privilege of manufacturing and selling wine in the State. The Maine manufacturer or importing wholesale licensee shall pay an excise tax of ~~30¢~~60¢ per gallon on all wine other than sparkling wine manufactured in or imported into the State, ~~\$1~~\$2 per gallon on all sparkling wine manufactured in or imported into the State and ~~25¢~~50¢ per gallon on all hard cider manufactured in or imported into the State.

PART H

Sec. H-1. 5 MRSA §1518-A, as enacted by PL 2005, c. 2, Pt. A, §4 and affected by §14, is amended to read:

§ 1518-A. Tax Relief Fund for Maine Residents

1. Tax Relief Fund for Maine Residents. There is created the Tax Relief Fund for Maine Residents, referred to in this section as "the fund," which must be used to provide tax relief to residents of the State. The fund consists of all resources transferred to the fund under this section and section 1536 and other resources made available to the fund.

2. Nonlapsing fund. Any unexpended balance in the ~~Tax Relief Fund for Maine Residents~~ may fund does not lapse but ~~must be~~is carried forward to be used pursuant to subsection 1.

3. Transfer from income tax and sales tax revenue growth. Beginning with fiscal year 2009-10, at the close of each fiscal year, the State Controller shall transfer to the fund 15% of the increase in revenue received by the State under Title 36, Parts 3 and 8 for the fiscal year being closed over revenue received under Title 36, Parts 3 and 8 for the previous fiscal year.

4. Legislation authorized. The joint standing committee of the Legislature having jurisdiction over taxation matters may submit legislation to provide tax relief using money available in the fund.

PART I

Sec. I-1. 30-A MRSA §5686 is enacted to read:

§ 5686. Local sales tax increment disbursement

1. Local sales tax increment. Beginning with fiscal year 2008-09, the State Tax Assessor shall gather and maintain information that demonstrates the amount of revenue and the amount of local sales tax increment for each fiscal year that is attributable to each municipality and the unorganized territory under Title 36, Part 3. For the purposes of this section, "local sales tax increment" means 10% of the increase in revenue attributable to a municipality or the unorganized territory under Title 36, Part 3 over the amount attributable to the municipality or the unorganized territory in fiscal year 2008-09.

2. Transfers. Beginning with fiscal year 2009-10, the State Tax Assessor shall certify to the State Controller by September 30th annually the local sales tax increment amounts needed to make payments under this section. The State Controller shall, within 15 days after the certification, transfer those amounts to a local sales tax increment account, which must be established for this purpose.

3. Payments to municipalities and the unorganized territory. The Treasurer of State shall pay by October 1st annually to each municipality and the Unorganized Territory Education and Services Fund under Title 36, chapter 115, from the local sales tax increment account established pursuant to subsection 2 an amount equal to the local sales tax increment. If the local sales tax increment for a municipality or the unorganized territory is \$0 or less, a payment may not be made for that fiscal year. The State Treasurer shall pay the amount due under this section and provide an accounting of the amount to the municipality or the fiscal administrator of the unorganized territory no later than 6 months after the end of that fiscal year. The amount received under this section by a municipality or the fund may not reduce or be reduced by any other revenue sharing or state aid received by the municipality or the fund. An amount received by a municipality or the fund under this section must be used by the municipality to reduce property tax revenues in that municipality in an amount equal to the amount received in the fiscal year that the revenue is received.

PART J

Sec. J-1. Taxpayer information. The State Tax Assessor shall develop and make available to taxpayers in a format that can be easily understood by the average citizen a summary of the major changes to the State's tax structure contained in this Act, including information in the format of a brochure that can be made available to inform citizens of the changes. The analysis must identify changes in the impact of Maine's tax structure on Maine families and comparisons with the tax structure of representative states of a size and economy similar to that of Maine.

PART K

Sec. K-1. 36 MRSA §684, sub-§1, as enacted by PL 1997, c. 643, Pt. HHH, §3 and affected by §10, is amended to read:

1. Generally. The bureau shall furnish to the assessor of each municipality a sufficient number of printed forms to be filed by applicants for an exemption under this subchapter and shall determine the content of the forms. The forms must contain a place for the applicant's birth date. A municipality shall provide to its inhabitants reasonable notice of the availability of application forms. An individual claiming an exemption under this subchapter for the first time shall file the application form with the assessor or the assessor's representative. For an exemption from taxes based on the status of property on April 1, 1998, the application must be filed by May 15, 1998. For taxes based on the status of property after April 1, 1998, the application must be filed by April 1st of the year on which the taxes are based.

Sec. K-2. 36 MRSA §949 is enacted to read:

§ 949. Suspension of foreclosure for homesteads of persons 65 years of age or older

Notwithstanding the other provisions of this subchapter, a tax lien mortgage may not be foreclosed with respect to the homestead as defined in section 681 of a person who is 65 years of age or older who has been a resident in the homestead for 10 years or longer until the real estate is transferred by deed or at the death of the person eligible for the suspension of foreclosure provided in this section. Liens on the real estate continue in effect until the death of the property owner or the property is otherwise transferred, and interest on the unpaid taxes continues to accrue until the lien is satisfied.

PART L

Sec. L-1. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Revenue Services - Bureau of 0002

Initiative: Provides funds for Maine Revenue Services administrative costs related to the changes to several taxes, including funds for 2 Office Assistant II positions and one Accounting Associate II position effective October 1, 2007, one Accounting Associate II position and 2 Tax Examiner positions effective July 1, 2008 and 2 Tax Examiner positions effective January 1, 2009.

GENERAL FUND	2007-08	2008-09
POSITIONS - LEGISLATIVE COUNT	3.000	8.000
Personal Services	\$108,698	\$381,530
All Other	\$686,466	\$489,026
	<hr/>	<hr/>
GENERAL FUND TOTAL	\$795,164	\$870,556

SUMMARY

This bill represents the work of the Joint Standing Committee on Taxation to reform Maine's tax structure and reduce the burden of taxes on Maine residents. This bill reduces taxes on Maine families by over \$140,000,000. The bill contains the following provisions.

Part A makes fundamental changes to simplify and reduce the burden of the State's income tax and create an income tax that is intended to be more beneficial to investment and economic growth in the State. The current structure of 4 tax brackets, personal exemptions and deductions is replaced by a flat rate of 6% on all taxable income. The progressivity of the current income tax is maintained through a household credit that alleviates the impact of the 6% rate on low-income and middle-income households. The corporate income tax is also changed to a flat rate at 8.93%. Conformity with certain federal business expensing and depreciation treatment is provided. The complicated and confusing alternative minimum tax on individuals is repealed.

Part B provides property tax relief by increasing the homestead property tax deduction from \$13,000 to \$26,000.

Part C provides further property tax relief by making the Property Tax and Rent Refund Program, currently known as "the Maine Residents Property Tax Program" or "the circuitbreaker program," available to a larger number of residents and increasing benefits. It requires the State to make greater efforts to increase awareness of the program and produce greater participation.

Part D provides a process that permits persons 65 years of age or older to defer property taxes on their homesteads. The State would reimburse municipalities for the deferred taxes and acquire a lien on the property to collect what is owed when the property is sold or otherwise transferred.

Part E broadens the sales tax base by including certain services and repealing certain exemptions. Part E also increases the sales tax on prepared food and lodging to 8% and the sales tax on rentals of automobiles of less than one year to 15%.

Part F changes the format for the real estate transfer tax and provides that permanent residences with a value of \$1,000,000 or less would be taxed at 0.6% on the first \$250,000 of value, 0.8% on the next \$250,000 of value and 1% on the next \$500,000 of value. Residential property valued at over \$1,000,000 would be taxed at 1.5% and all other property would be taxed at 1%.

Part G doubles the excise tax on wine and malt liquor except for malt liquor produced by a manufacturer that produced less than 100,000 barrels in the previous calendar year.

Part H provides that, beginning in fiscal year 2009-10, 15% of growth in sales and income tax would be transferred to the Tax Relief Fund for Maine Residents to be used for tax relief.

Part I provides that, beginning in fiscal year 2009-10, 10% of sales tax revenue growth must be returned to the municipalities where the growth occurred.

Part J requires the Department of Administrative and Financial Services, Bureau of Revenue Services to make information available to citizens that explains the State's tax structure and the changes contained in this Act.

Part K provides that a lien for unpaid property taxes may not be foreclosed against the homestead of a person who is at least 65 years of age and has lived in the homestead for at least 10 years until the property is transferred by deed or upon death. Liens would continue in effect and would accrue interest until the lien is satisfied.

Part L makes appropriations and allocations necessary to implement the bill.